

April Recap

Taken together, April saw markets recover from the sharp decline in the prior month, a decline largely driven by escalating tensions between Iran and the United States. However, as signs of potential de-escalation began to emerge and corporate earnings continued to grow, investors broadly shifted away from this risk-off stance, a move that pushed markets to record highs across multiple sectors. Alongside this, investors also witnessed the end of Jerome Powell's tenure as Fed Chair, as well as an early glimpse of how the role may evolve under his successor, Kevin Warsh. This past month was eventful, however, overall sentiment remained largely unchanged. It wasn't until the end, however, that this began to unravel, as tensions once again began to escalate and large tech companies continued to spend.

An Iran War That Keeps on Going

The US-Israel and Iran war began on February 28th, and going into April there weren't many signs that an end was near. The first week of this month was categorized by continued escalations and threats from both sides, which furthered the risk-off episode that markets had had in the prior month. This state, however, soon came to a drastic end following the announcement of a ceasefire between the United States and Iran on April 8th. Following this announcement, markets began the start of a three-week rally which saw broad market indexes, and many large tech names, hit all-time highs across the board. Throughout the period spanning the initial announcement to month-end, additional threats and escalations persisted. Despite this, U.S. markets remained resilient and continued to exhibit a strong risk-on sentiment.

It wasn't until the last four days of this month, however, where this changed. The blockade that the U.S. had initially implemented at the Strait of Hormuz on April 13th, was leading to complications that markets hadn't priced in. The Iranian economy was slowly being squeezed, as the oil it was developing had nowhere to go. At first the Middle-Eastern state remained calm, however, soon after it realized it couldn't take the pressure any longer. Around the 27th and 28th, Iran began to submit proposals aimed towards a resolution for both countries that would immediately lift the blockade off the Strait and push any nuclear talks further down the line. The U.S. has yet to respond, while President Trump, at the same time, has continued to make comments that signal the U.S. isn't ready to back down. Leading into the final week of April, market sentiment indicated that the war was effectively priced as nearing a resolution. However, recent developments and the corresponding market response suggest that this assumption may have been premature, with the road to a resolution seeming unclear.

Psychedelics Receive a Stamp of Approval

On April 18th, President Trump had signed an executive order that directed health regulators, such as the FDA, to accelerate the review process for psychedelic drugs. The order contained a wide range of orders and stipulations, with the most notable being a directive aimed towards the provision of National Priority Vouches to certain psychedelic treatments by the FDA. This classification shifts the time it would take for the FDA to review a treatment from ten to twelve months to one to two. Another notable stipulation within this order was the directive that ordered the HHS to allocate \$50 million towards matching investments made by state governments for research into these types of treatments.

Following this announcement shares of psychedelic drug markers largely advanced. Among these names, Compass Pathways recorded the largest move, advancing 48% in response to the order. Prior to this order,

psychedelics had always been a taboo topic within the White House, with federal exposure towards it being limited. This recent development, however, signals a change in this area, showing, for the first time, an administration that is ready to back up those in this space. While we may still be a long way from the development of an FDA-approved treatment, recent progress brings us one step closer, a shift that is also reflected in the market's reaction.

Kevin Warsh Confirmed as Next Fed Chair

On January 30th, President Trump had announced his selection for Kevin Warsh to be the new Federal Reserve chair following the conclusion of Jerome Powell's term. The saga in which Warsh's selection occurred was eventful, as prior to it, he was directly competing against the likes of Kevin Hassett and current Fed Governor Christopher Waller. Nevertheless, Kevin emerged above the likes of these names and was given the title. It wasn't until March 4th, that President Trump formally sent this nomination to Senate.

On April 29th, it had been announced that the Senate Banking Committee confirmed Kevin Warsh as the next Fed Chair. This decision came a week after the hearing this committee held with Warsh, in which the President's nominee was subject to a wide array of questions and scrutiny. Uniformly, the top question across senators had been the independence of the Fed, which recently has come under political pressure from our current administration. Warsh confirmed not only his independence, but also that President Trump hadn't asked him to lower rates. Prior to this hearing, President Trump had announced that he'd be disappointed if the new Fed chair did not cut rates.

What's unique about Warsh's confirmation is that it occurred the same day in which Jerome Powell held his last FOMC meeting. Rates had been held steady, but this isn't what took the headlines. What did, however, was Powell's announcement that he'd be staying on as a Fed Governor after the conclusion of his term. His reasoning was a mix of the legal issues that he had been involved with, and the recent pressure placed on the central bank by our current administration. How long Powell will remain, certainly, stands as one of the focal points of this recent announcement, but outside of this not much is open to interpretation. The primary motive behind this move seems to be a form of action aimed at protecting the security of the Fed's independence, a concept that Powell has continued to emphasize time and time again.

Big-Tech Spending Continues to Remain Scrutinized

The beginning of this year, in the realm of big tech, was categorized by investor distaste in heightened spending. Meta, Amazon, Microsoft, and Alphabet were just some of the names that had faced this sudden investor scrutiny. Initially, AI-related enthusiasm never gave room for these fears, but as time went on, investors started questioning this spending and the returns it would generate. It was this shift that contributed to the pullback we had seen, in these names, at the start of this year. Recently, large-tech shares have performed well, recovering their losses from the start of this year. At the end of this month, however, this pattern would soon come undone.

In the last two weeks of this month, six of the Mag 7 had reported earnings. All, but Nvidia, had reported earnings, and among those who did a common theme began to emerge. This theme was increased spending. The start of this year had already seen many of these names forecasting plans to elevate spending from prior years, forecasts that investors couldn't get behind. In these past two weeks this trend continued, with the likes of Meta, Alphabet, and Tesla all reporting plans to spend even more than they had initially forecast. Tesla, out

of these names, experiences the largest increase in this metric, as they expect free-cash-flow to turn negative for the remainder of 2026. Firms that raised their capital expenditure forecasts broadly experienced share price contractions, however, it was only Alphabet where this was different.

Alphabet's cloud segment, which provides AI / ML tools for enterprises saw revenue grow 63% in this past quarter from the year prior. The company even mentioned how this number would've been larger, had it not been for capacity constraints. Why these figures were so important is because they directly came from the expenditures Alphabet has been undertaking. Markets were aware of this, and as such, reacted positively towards plans of increased spending. In the past, many of these names had benefited from indiscriminate investor capital allocation; however, now that dynamic has shifted. Investors are placing greater emphasis on returns, and, as with Alphabet, companies that deliver are rewarded.

Energy Prices Continue to Rise as Record Levels

The stark rise in energy prices has remained one of the most talked about topics within markets today. Experts widely agree that the current energy crisis is among the most severe in history, a view that has gained broad support across the board. Initially these claims were vocalized, and later confirmed through a myriad of studies. While these studies may not have been readily accessible to everyday investors, many were still able to get the confirmation they needed.

This confirmation came through this past month's CPI report, a report that helped quantify the rising pattern of oil prices. The index for energy had risen 10.9% from February to March, the largest increase seen since April 2005. The gasoline index, which is much more consumer-based, showed that prices had risen 21.2% since February, the largest monthly increase seen since the CPI was first established in 1967. Prices have continued to rise, and with tensions beginning to escalate once again, there's no guaranteeing that they'll stop. Temporary fluctuations may occur, but structurally sentiment remains the same. Until markets see a more definitive step towards the opening of this Strait, prices will continue to remain elevated, a trend that's been hard to stop.